

FINANCIAL REPORT
Hayes Township
June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Hayes Township	County Charlevoix
Audit Date 6/30/04	Opinion Date 2/12/05	Date Accountant Report Submitted to State: 3/24/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

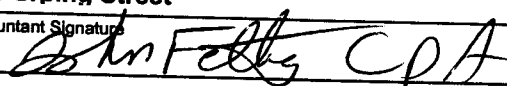
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hill, Schroderus and Co., LLP			
Street Address 923 Spring Street		City Petoskey	State MI
Accountant Signature 		ZIP 49770	Date 3/24/04

**Hayes Township
FINANCIAL REPORT
June 30, 2004**

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Hill ♦ Schroderus & Co., LLP
Certified Public Accountants & Consultants

February 12, 2005

Independent Auditors' Report

Township Board
Hayes Township, Michigan
Charlevoix County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Hayes Township, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Hayes Township, as of June 30, 2004, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2003.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hill, Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

HAYES TOWNSHIP

Charlevoix County
Old U.S. 31 at Burgess Rd.
Charlevoix, Michigan 49720

Management's Discussion and Analysis

Overview of the Basic Financial Statements

Hayes Township's basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements. Because this is the first year of implementation of GASB Statement No. 34, prior year numbers are not presented within the Management's Discussion and Analysis. A comparative analysis will be provided in future years when prior year information is available.

Government-wide Financial Statements

The government-wide financial statements report information on the Township's non-fiduciary fund. The government-wide statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the Township's assets and liabilities, with the difference reported as *net assets*. All long-term assets are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Township, which are supported by the Township's general revenues (property taxes, State revenues, etc.).

Fund Financial Statements

The fund financial statements report on the Townships governmental fund, the general fund. The focus of the fund financial statements is on the sources and uses of funds during the current year.

The fiduciary fund is also presented, separate from the governmental fund, due to the fact that these assets do not represent assets of the Township. These assets are not presented as part of the Government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The table below summarizes the Township's net assets as of June 30, 2004:

Hayes Township June 30, 2004

	Governmental Activities
Assets	
Current and other assets	\$ 400,733
Capital assets - net of accum dep	173,339
Total assets	574,072
Liabilities	
Current liabilities	2,111
Net Assets	
Investment in capital assets	173,339
Unrestricted	398,622
Total net assets	\$ 571,961

At the end of the fiscal year, Hayes Township is able to report positive balances in both categories of net assets. A portion of the Township's net assets is its investment in capital assets (land, buildings and equipment). The Township uses these capital assets in providing Township services, consequently these assets are not available for future spending.

The remaining portion of net assets, unrestricted net assets, may be used at the Township's discretion to meet ongoing obligations.

The results for the Township as a whole are reported in the Statement of Activities, which is summarized below:

Hayes Township's Change in Net Assets
Year Ended June 30, 2004

	<u>Governmental Activities</u>
Revenue	
Program revenue:	
Charges for services	\$ 12,882
General revenue:	
Property taxes	307,044
State shared revenue	127,866
Interest	5,890
Other	4,653
	<hr/>
Total revenues	528,335
	<hr/>
Function/Program Expenses	
General government	98,305
Public safety	70,707
Public works	315,995
Health and welfare	9,419
Recreation and culture	10,494
Unallocated	13,950
Depreciation (unallocated)	9,970
	<hr/>
Total expenses	528,840
	<hr/>
Change in net assets	(70,505)
Net assets - beginning of year	642,466
	<hr/>
Net assets - end of year	\$ 571,961
	<hr/>

As reported above, the Township recorded \$ 528,840 of expenses. These expenses were funded primarily by property taxes and state revenue sharing monies. The Township experienced a decrease in net assets primarily due to continued road maintenance and repairs and, reductions to state revenue sharing monies.

Fund Financial Analysis

As of year end, the general fund reported a fund balance of \$398,622, which is \$78,099 less than the beginning of the year. The decrease was mainly due to continued road maintenance and repairs and reductions to state revenue sharing monies.

General Fund Budgetary Highlights

Final budgeted revenues remained consistent with original budgeted amounts. Final budgeted expenditures increased from the original budgeted amounts by \$298,759. The increase was due primarily to road repairs and maintenance being increased \$265,027 for expected road work that was expected to be done in fiscal year 2004, but was not started until after the end of the fiscal year and therefore, the expenditures will be recognized in fiscal year 2005.

Final actual revenues were slightly above final budgeted amounts. Final actual expenditures were below final budgeted amounts by \$232,375, primarily due to fewer expenditures for road repairs and maintenance being incurred as discussed above.

Capital Assets

At June 30, 2004 the Township had \$173,339 invested in capital assets. The following table summarizes the capital asset activity for the year:

Hayes Township's Capital Asset Activity
Year Ended June 30, 2004

	July 1, 2003	Additions	Disposals	June 30, 2004
Land	\$ 25,601	\$ -	\$ -	\$ 25,601
Land improvements	49,221	-	-	49,221
Buildings	147,542	-	-	147,542
Building improvements	-	9,685	-	9,685
Equipment	34,129	9,419	-	43,548
Total capital assets	256,493	19,104	-	275,597
Less accum depreciation	92,288	9,970	-	102,258
Net capital assets	<u>\$ 164,205</u>	<u>\$ 9,134</u>	<u>\$ -</u>	<u>\$ 173,339</u>

The additions to capital assets consists of a new roof being put on the Township Hall, a new well at the cemetery and a new copy machine.

Economic Factors

As with most small local units of government in Michigan, the Township continues to receive less state shared revenue each year, while costs of operations and road repairs and maintenance continue to increase. The Township is continuing to adjust to lower state shared revenues. Property taxes for both operations and road repair and maintenance have increased with property values. The Township monitors its budget closely.

Financial Contact

The Township's financial statements are designed to present users with a general overview of Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards Township management.

HAYES TOWNSHIP
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets	
Cash	\$ 368,615
Due from other governments	29,473
Due from fiduciary fund	<u>2,645</u>
Total current assets	<u>400,733</u>
Noncurrent Assets	
Capital assets	275,597
Less: accumulated depreciation	<u>(102,258)</u>
Total noncurrent assets	<u>173,339</u>
Total assets	<u><u>\$ 574,072</u></u>
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	<u>\$ 2,111</u>
Net Assets	
Investment in capital assets, net of related debt	173,339
Unrestricted	<u>398,622</u>
Total net assets	<u>571,961</u>
Total liabilities and net assets	<u><u>\$ 574,072</u></u>

HAYES TOWNSHIP
Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net
		Charges for Services	Operating Grants and Contributions	Assets Governmental Activities
Governmental Activities:				
General government	\$ 98,305	\$ 12,882	\$ -	\$ (85,423)
Public safety	70,707	-	-	(70,707)
Public Works	315,995	-	-	(315,995)
Health and welfare	9,419	-	-	(9,419)
Recreation and cultural	10,494	-	-	(10,494)
Unallocated	13,950	-	-	(13,950)
Depreciation (unallocated)	9,970	-	-	(9,970)
Total governmental activities	<u>\$ 528,840</u>	<u>\$ 12,882</u>	<u>\$ -</u>	<u>(515,958)</u>

General Revenues:

Taxes:

Property taxes	307,044
State shared revenues	127,866
Interest	5,890
Other	<u>4,653</u>

Total general revenues	<u>445,453</u>
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Change in net assets	(70,505)
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Net assets - beginning of year	<u>642,466</u>
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Net assets - end of year	<u>\$ 571,961</u>
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HAYES TOWNSHIP
Governmental Funds
Balance Sheet
June 30, 2004

General

Assets

Cash	\$ 368,615
Due from other governments	29,473
Due from other funds	2,645
Total assets	<u>\$ 400,733</u>

Liabilities and Fund Balances

Liabilities:	
Accounts payable	\$ 2,111
Total liabilities	<u>2,111</u>
Fund balances:	
Unreserved:	
Undesignated	<u>398,622</u>
Total fund balances	<u>398,622</u>
Total liabilities and fund balances	<u>\$ 400,733</u>

See accompanying notes to financial statements.

HAYES TOWNSHIP
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets
June 30, 2004

Total Fund Balances - Governmental Funds

\$ 398,622

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet

Cost of capital assets
Accumulated depreciation

275,597
(102,258)

Total net assets - governmental activities

\$ 571,961

HAYES TOWNSHIP
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2004

	<u>General</u>
Revenues:	
Taxes	\$ 307,044
State revenue	127,866
Charges for service	12,882
Interest	5,890
Other	<u>4,653</u>
Total revenues	<u>458,335</u>
Expenditures:	
Current:	
General government	115,869
Public safety	70,707
Public works	315,995
Health and welfare	9,419
Recreation and cultural	10,494
Unallocated	<u>13,950</u>
Total expenditures	<u>536,434</u>
Net change in fund balance	(78,099)
Fund balances - beginning of year	<u>476,721</u>
Fund balances - end of year	<u><u>\$ 398,622</u></u>

See accompanying notes to financial statements.

HAYES TOWNSHIP
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ (78,099)
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.
This is the amount by which capital outlays exceed depreciation
expense in the period.

7,594

Change in net assets - governmental activities

\$ (70,505)

HAYES TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Taxes	\$ 299,645	\$ 299,645	\$ 307,044	\$ 7,399
State revenue	133,000	133,000	127,866	(5,134)
Charges for services	12,300	12,300	12,882	582
Interest	10,200	10,200	5,890	(4,310)
Other	700	1,775	4,653	2,878
Total revenues	<u>455,845</u>	<u>456,920</u>	<u>458,335</u>	<u>1,415</u>
Expenditures:				
Current:				
General government:				
Legislative	4,960	4,960	4,791	(169)
Supervisor	7,031	7,031	7,031	-
Clerk	23,098	23,098	20,072	(3,026)
Treasurer	26,183	29,378	20,022	(9,356)
Elections	1,775	1,775	122	(1,653)
Assessor	19,924	22,119	21,177	(942)
Board of review	2,400	2,400	1,308	(1,092)
Building and grounds	7,750	17,500	15,708	(1,792)
Legal	9,000	19,000	5,464	(13,536)
Cemetery	15,705	15,705	13,702	(2,003)
Unallocated	15,000	15,000	6,472	(8,528)
Total general government	<u>132,826</u>	<u>157,966</u>	<u>115,869</u>	<u>(42,097)</u>
Public Safety:				
Fire protection	42,150	42,150	34,369	(7,781)
Ordinance enforcement	25,061	25,061	24,054	(1,007)
Zoning	15,759	15,759	12,284	(3,475)
Total public safety	<u>82,970</u>	<u>82,970</u>	<u>70,707</u>	<u>(12,263)</u>
Public works:				
Road maintenance and repair	184,654	449,681	286,430	(163,251)
Street lights	1,500	1,500	974	(526)
Spring clean up	20,000	28,592	28,591	(1)
Total public works	<u>206,154</u>	<u>479,773</u>	<u>315,995</u>	<u>(163,778)</u>
Health and welfare:				
Ambulance service	10,000	10,000	9,419	(581)

HAYES TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
(Continued)
Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Recreation and cultural	22,000	22,000	10,494	(11,506)
Unallocated:				
Insurance	8,500	8,500	6,476	(2,024)
Payroll taxes	7,600	7,600	7,474	(126)
Total Unallocated	16,100	16,100	13,950	(2,150)
Total expenditures	470,050	768,809	536,434	(232,375)
Net change in fund balance	(14,205)	(311,889)	(78,099)	233,790
Fund balance - July 1, 2003	462,414	462,414	476,721	14,307
Fund balance - June 30, 2004	<u>\$ 448,209</u>	<u>\$ 150,525</u>	<u>\$ 398,622</u>	<u>\$ 248,097</u>

HAYES TOWNSHIP
Fiduciary Fund
Statement of Fiduciary Net Assets
June 30, 2004

Student Activities
Agency Fund

Assets

Cash

\$ 2,645

Liabilities

Due to other funds

\$ 2,645

**CHANDLER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under a Board-Supervisor form of government and provides the following services as authorized by its charter: public safety (fire), highways and streets, public improvements, planning and zoning, and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by Chandler Township:

REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by GASB No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Township and included in the Township's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Township has no component units.

BASIC FINANCIAL STATEMENTS – OVERVIEW

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as governmental.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS - CONTINUED

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which includes charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The focus of the fund financial statement is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental type category. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

Governmental Funds

The following is a description of the major governmental fund of the Township:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIC FINANCIAL STATEMENTS — FUND FINANCIAL STATEMENTS – CONTINUED

Fiduciary Fund

Fiduciary funds are used to account for assets held by the Township in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Agency funds use the accrual basis of accounting which reports only assets and liabilities. The following is a description of the fiduciary fund maintained by the Township.

Agency Fund – The Agency Fund accounts for the collection and payments of property tax levies.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

The agency fund is accounted for using the full accrual basis of accounting. The Township's agency fund records liabilities when property taxes are received.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS

Inter-fund Receivables/Payables

Outstanding balances between funds are reported as "due to/from" other funds on the balance sheet of the fund financial statements and as "internal balances" on the Statement of Net Assets of the government-wide financial statements.

Capital Assets

Capital assets, which include property, buildings and equipment are reported in the applicable governmental activities column in the government-wide financial statements.

Capital assets are recorded by the Township when the initial individual costs are equal to or greater than the following amounts:

<u>Asset Type</u>	<u>Amount</u>
Land	\$ 1
Land improvements	1,000
Buildings	1,000
Building improvements	1,000
Equipment	1,000

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 years
Buildings	40 years
Building improvements	20 years
Equipment	5-20 years

Additionally, depreciation on capital assets begins in the year after acquisition.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS – CONTINUED

Fund Equity

In the fund financial statements, governmental funds report reserved fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. There are no restricted fund balances for the Township at year end.

ACCOUNTING CHANGE

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Effective July 1, 2003, the Township implemented the provisions of GASB No. 34. Changes to the Townships financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements with a focus on major funds.
- Capital assets in the governmental activities column of the Statement of Net Assets include assets which were previously reported in the General Fixed Asset Account Group.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the operating fund of the Township except for the agency fund. Budgetary control is legally maintained at the fund level.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. The budget for the General Fund is adopted at the total fund level. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Township is required under Public Act 621 to adopt a budget for the General Fund. The Township did not incur an excess of expenditures over appropriations for the General Fund.

NOTE 3: CASH DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

At June 30, 2004, the carrying amount of the Township's deposits, including the fiduciary fund, was \$371,260 and the bank balance was \$382,841. Of the above balance in cash, \$314,483 was covered by federal depository insurance. The remaining amount was uninsured and uncollateralized. The Township may experience significant fluctuations in deposit balances throughout the year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 4: **PROPERTY TAX**

Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied in December and are payable from December through February 14. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized in the year for which they are levied.

The Township is permitted by state law, subject to State Headlee and Truth in Taxation provisions, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general government services and up to \$1.00 per \$1,000 assessed valuation for road repair and maintenance that was authorized by Township residents for the years 2001 - 2005.

The tax rates for the year ended June 30, 2004 are as follows:

<u>Purpose</u>	<u>Rate/Assessed Valuation</u>
General government service	\$.9345 per \$1,000
Road repairs and maintenance	\$.9345 per \$1,000

NOTE 5: **INTERFUND RECEIVABLES AND PAYABLES**

The inter-fund balances within the primary government are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 2,645	\$ -
Fiduciary Fund	-	2,645
	<u>\$ 2,645</u>	<u>\$ 2,645</u>

The inter-fund balances are for \$2,500 loaned to the fiduciary fund to keep its checking account open and is not expected to be paid back within one year. The remaining \$145 is for interest due on property taxes.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 6: CAPITAL ASSETS

Capital asset activity of the Township's primary government for the current year was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 25,601	\$ -	\$ -	\$ 25,601
Capital assets being depreciated:				
Land improvements	49,221	-	-	49,221
Buildings	147,542	-	-	147,542
Building improvements	-	9,685	-	9,685
Equipment	34,129	9,419	-	43,548
Subtotal	230,892	19,104	-	249,996
Less accumulated depreciation:				
Land improvements	10,905	2,370	-	13,275
Buildings	66,102	3,689	-	69,791
Building improvements	-	-	-	-
Equipment	15,281	3,911	-	19,192
Subtotal	92,288	9,970	-	102,258
Net capital assets being depreciated:	138,604	9,134	-	147,738
Governmental activities net capital assets	<u>\$ 164,205</u>	<u>\$ 9,134</u>	<u>\$ -</u>	<u>\$ 173,339</u>

Depreciation expense was unallocated between functions in the statement of net assets.

NOTE 7: RISK MANAGEMENT

The Township belongs to the Michigan Municipal Liability and Property Pool, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 8: COMMITMENTS

In June 2004, the Township entered into contracts with various contractors for road reconstruction and repairs estimated to cost approximately \$164,327. As of June 30, 2004, no payments had been made on the contracts and the entire amounts for the contracts are commitments.